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FROM: Paul M. Dudek, Chief
Office of International Corporate Finance
Division of Corporation Finance

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INTERIM FINANCIAL REPORT

At 30 SEPTEMBER 2007

(UNAUDITED)

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Income statement

For the first nine months ended 30 September 2007 (unaudited) and 30 September 2006 (unaudited)

	Quarter to 30 September 2007	Year to date 30 September 2007	Quarter to 30 September 2006	Year to date 30 September 2006
	€ million	€ million	€ million	€ million
Interest and similar income				
From loans	152	438	132	382
From fixed-income debt securities and other interest	178	509	139	387
Interest expense and similar charges	(181)	(526)	(152)	(432)
Net interest income	149	421	119	337
Net fee and commission income	2	9	3	10
Dividend income	12	74	21	77
Net gains from share investments at fair value through profit or loss	44	1,040	306	449
Net gains from available-for-sale share investments	174	240	94	188
Net (losses)/gains from available-for-sale Treasury assets	(1)	3	2	13
Net gains from dealing activities and foreign exchange	6	6	(2)	8
Fair value movement on non-qualifying hedges	(2)	(40)	(11)	2
Operating income	384	1,753	532	1,084
General administrative expenses	(61)	(175)	(50)	(149)
Depreciation and amortisation	(3)	(8)	(3)	(11)
Operating profit before provisions	320	1,570	479	924
Provisions for impairment of loan investments	244	223	(2)	(1)
Net profit for the period	564	1,793	477	923

Balance sheet

At 30 September 2007 (unaudited) and 31 December 2006 (audited)

		30 September 2007		31 December 2006
	€ million	€ million	€ million	€ million
Assets				
Placements with and advances to credit institutions	4,463		3,135	
Collateralised placements	1,456		2,573	
	<u>5,919</u>		<u>5,708</u>	
Debt securities				
Trading	1,599		1,764	
Available-for-sale	7,065		6,831	
	<u>8,664</u>	14,583	<u>8,595</u>	14,303
Other assets				
Derivative financial instruments	1,820		2,130	
Other	1,808		994	
		3,628		3,124
Loan investments				
Loans	8,610		8,311	
Less: Provisions for impairment	<u>(101)</u>		<u>(341)</u>	
	8,509		7,970	
Share investments				
Share investments at fair value through profit or loss	3,292		2,400	
Available-for-sale share investments	2,717		2,653	
	<u>6,009</u>	14,518	<u>5,053</u>	13,023
Intangible assets		32		21
Property, technology and office equipment		39		28
Paid-in capital receivable		115		192
Total assets		32,915		30,691
Liabilities				
Borrowings				
Amounts owed to credit institutions	1,378		1,194	
Debts evidenced by certificates	<u>15,675</u>		<u>15,622</u>	
		17,053		16,816
Other liabilities				
Derivative financial instruments	540		506	
Other	<u>1,587</u>		<u>1,197</u>	
		2,127		1,703
Total liabilities		19,180		18,519
Members' equity				
Subscribed capital	19,794		19,794	
Callable capital	<u>(14,596)</u>		<u>(14,596)</u>	
Paid-in capital		5,198		5,198
Reserves and retained earnings		<u>8,537</u>		<u>6,974</u>
Total members' equity		13,735		12,172
Total liabilities and members' equity		32,915		30,691
Memorandum items				
Undrawn commitments		6,550		6,769

Statement of changes in members' equity for the period ended 30 September 2007 (unaudited) and 30 September 2006 (unaudited)

For the period ended 30 September 2007	Subscribed capital € million	Callable capital € million	Special reserve € million	Loan loss reserve € million	General reserve Other reserves € million	Retained earnings € million	Total reserves and retained earnings € million	Total members' equity € million
At 31 December 2005	19,790	(14,593)	188	292	2,254	1,950	4,684	9,881
Internal tax for the period	-	-	-	-	3	-	3	3
Qualifying fees and commissions	-	-	23	-	-	(23)	-	-
Net fair value movement of available-for-sale assets for the period	-	-	-	-	472	-	472	472
Reserves transfer	-	-	-	(17)	-	17	-	-
Net profit for the period	-	-	-	-	-	923	923	923
At 30 September 2006	19,790	(14,593)	211	275	2,729	2,867	6,082	11,279
At 31 December 2006	19,794	(14,596)	215	293	2,204	4,262	6,974	12,172
Internal tax for the period	-	-	-	-	4	-	4	4
Qualifying fees and commissions	-	-	9	-	-	(9)	-	-
Net fair value movement of available-for-sale assets for the period	-	-	-	-	(234)	-	(234)	(234)
Reserves transfer	-	-	-	(13)	-	13	-	-
Net profit for the period	-	-	-	-	-	1,793	1,793	1,793
At 30 September 2007	19,794	(14,596)	224	280	1,974	6,059	8,537	13,735

Reserves increased from €7.0 billion at the end of 2006 to €8.5 billion at 30 September 2007, primarily as a result of the net profit for the first nine months of 2007. Of the Bank's total reserves at 30 September 2007, €3.8 billion represented unrealised gains from share investments, equity derivatives and Treasury assets, €280 million represented the loan loss reserve and €224 million represented the special reserve, leaving €4.2 billion unrestricted general reserves.

Statement of cash flows for the nine months ended 30 September 2007 (unaudited)

		Period to 30 September 2007	Period to 30 September 2006
	€ million	€ million	€ million
Cash flows from operating activities			
Operating profit for the period ¹	1,793		923
Adjustments for:			
Interest income	(947)		(769)
Interest expense and similar charges	526		432
Fair value movement on capital receivable and associated hedges	(4)		(4)
Fair value movement on net Treasury assets	(407)		975
Net deferral and amortisation of fees and direct costs	16		13
Internal taxation	4		3
Realised gains on share investments	(489)		(289)
Unrealised gains on share investments and equity derivatives	(780)		(345)
Impairment on share investments	(11)		(3)
Unrealised gains on dealing securities	(3)		(1)
Realised gains on available-for-sale securities	(1)		(4)
Foreign exchange gains	-		1
Depreciation and amortisation	8		11
Impairment recoveries on available-for-sale debt securities	(2)		(9)
Gross provisions (release)/charge for loan losses	(223)		-
	(520)		934
Interest income received	670		467
Interest expense and similar charges paid	(487)		(394)
Decrease/(Increase) in operating assets:			
Prepaid expenses	14		(19)
Proceeds from repayments of loans	1,747		1,875
Proceeds from prepayments of loans	423		561
Funds advanced for loans	(2,777)		(2,884)
Proceeds from sale of share investments	815		625
Funds advanced for share investments	(648)		(454)
Net placements to credit institutions	(1,248)		(703)
Decrease in operating liabilities:			
Accrued expenses	(4)		(91)
Net cash used in operating activities		(2,015)	(83)
Cash flows from investing activities			
Proceeds from sale of available-for-sale securities	2,374		1,728
Purchase of available-for-sale securities	(2,846)		(3,568)
Purchase of property, technology and office equipment	(31)		(23)
Net cash used in investing activities		(503)	(1,863)
Cash flows from financing activities			
Capital received	81		122
Issue of debts evidenced by certificates	7,305		5,718
Redemption of debts evidenced by certificates	(6,088)		(5,059)
Net cash from financing activities		1,298	781

Net decrease in cash and cash equivalents	(1,220)	(1,165)
Cash and cash equivalents at beginning of the period	<u>3,338</u>	<u>4,278</u>
Cash and cash equivalents at 30 September*	<u><u>2,118</u></u>	<u><u>3,113</u></u>

*Cash and cash equivalents comprise the following amounts maturing within three months:

	2007	2006
	€ million	€ million
Placements with and advances to credit institutions	3,065	1,971
Collateralised placements	-	2,142
Amounts owed to credit institutions	<u>(947)</u>	<u>(1,000)</u>
Cash and cash equivalents at 30 September	<u><u>2,118</u></u>	<u><u>3,113</u></u>

¹ Operating profit includes dividends of €74 million received for the period to 30 September 2007 (2006: €77 million).

Explanatory notes

1. Establishment of the Bank

i Agreement Establishing the Bank

The European Bank for Reconstruction and Development ("the Bank"), whose principal office is located in London, is an international organisation formed under the Agreement Establishing the Bank dated 29 May 1990 ("the Agreement"). At 30 September 2007 the Bank's shareholders comprised 61 countries, together with the European Community and the European Investment Bank.

ii Headquarters Agreement

The status, privileges and immunities of the Bank and persons connected therewith in the United Kingdom are defined in the Agreement and in the Headquarters Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Bank ("Headquarters Agreement"). The Headquarters Agreement was signed in London upon the commencement of the Bank's operations on 15 April 1991.

2. A summary of significant accounting policies

i Accounting convention

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the overall principles of the European Community's Council Directive on Annual Accounts and Consolidated Accounts of Banks and Other Financial Institutions. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities held at fair value through profit or loss and all derivative contracts. In addition, financial assets and liabilities subject to amortised cost measurement, where they form part of a qualifying hedge relationship, have been accounted for in accordance with hedge accounting rules.

ii Financial statements presentation

The financial statements are presented in a manner consistent with the Bank's audited financial statements as of and for the year ended 31 December 2006. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current period. In the opinion of management, all adjustments necessary for a fair presentation of the financial position and the results of operations for the interim periods have been made. For further information please refer to the Bank's audited financial statements as at 31 December 2006. The results of operations for interim periods are not necessarily indicative of results to be expected for the year ending 31 December 2007.

3. Loan investments

	2007 Sovereign loans € million	2007 Non-sovereign loans € million	2007 Total loans € million	2006 Sovereign loans € million	2006 Non-sovereign loans € million	2006 Total loans € million
Operating assets						
At 1 January	1,977	6,334	8,311	2,037	5,782	7,819
Movement in fair value revaluation	-	-	-	-	(5)	(5)
Disbursements	267	2,510	2,777	289	2,595	2,884
Repayments and prepayments	(248)	(1,922)	(2,170)	(262)	(2,174)	(2,436)
Foreign exchange movements	(83)	(207)	(290)	(84)	(192)	(276)
Movement in net deferral of front end fees and related direct costs	(4)	(12)	(16)	(3)	(9)	(12)
Written off	-	(2)	(2)	-	(3)	(3)
At 30 September	1,909	6,701	8,610	1,977	5,994	7,971
Impairment at 30 September	(5)	(96)	(101)	(14)	(296)	(310)
Total operating assets net of impairment at 30 September	1,904	6,605	8,509	1,963	5,698	7,661

At 30 September 2007 the Bank categorised ten loans as impaired, totalling €23 million (31 December 2006: nine loans totalling €19 million). Specific provisions on these assets amounted to €19 million (31 December 2006: €18 million).

4. Share investments

	Fair value through profit or loss unlisted share investments € million	Fair value through profit or loss listed share investments € million	Fair value through profit or loss total share investments € million	Available-for- sale unlisted share investments € million	Available-for- sale listed share investments € million	Available- for-sale total share investments € million	Total share investments € million
Outstanding disbursements							
At 31 December 2005	1,030	126	1,156	593	423	1,016	2,172
Transfer between classes	9	(8)	1	(13)	12	(1)	-
Disbursements	167	1	168	277	9	286	454
Disposals	(166)	(2)	(168)	(125)	(16)	(141)	(309)
Written off	(27)	-	(27)	-	-	-	(27)
At 30 September 2006	1,013	117	1,130	732	428	1,160	2,290
At 31 December 2006	1,035	240	1,275	659	489	1,148	2,423
Transfer between classes	(14)	19	5	(68)	63	(5)	-
Disbursements	297	-	297	334	17	351	648
Disposals	(162)	-	(162)	(94)	(65)	(159)	(321)
Written off	(2)	-	(2)	(2)	(1)	(3)	(5)
At 30 September 2007	1,154	259	1,413	829	503	1,332	2,745
Fair value adjustment							
At 31 December 2005	242	152	394	704	909	1,613	2,007
Movement in fair value revaluation	100	236	336	11	471	482	818
Impairment losses on available- for-sale share investments	-	-	-	4	-	4	4
At 30 September 2006	342	388	730	719	1,380	2,099	2,829
At 31 December 2006	558	567	1,125	103	1,402	1,505	2,630
Transfer between classes	(46)	36	(10)	47	(37)	10	-
Movement in fair value revaluation	193	571	764	(76)	(65)	(141)	623
Impairment of available-for-sale share investments	-	-	-	3	8	11	11
At 30 September 2007	705	1,174	1,879	77	1,308	1,385	3,264
Fair value at 30 September 2007	1,859	1,433	3,292	906	1,811	2,717	6,009
Fair value at 30 September 2006	1,355	505	1,860	1,451	1,808	3,259	5,119

5. Borrowings

During the first nine months of 2007 €1.8 billion was issued under the Bank's authorised medium- to long-term borrowing programme at an average cost of Libor less 37 basis points, with an average life of 2.4 years.

For 2007 the authorised medium- to long-term borrowing programme was €1.5 billion supplemented by early redemptions, buy-backs and issues called by or put to the Bank. At 30 September 2007, the unused medium- to long-term borrowing authority stood at €555 million. After taking into account early redemptions and buy-backs, outstanding medium- to long-term debt at the end of the period stood at €11.5 billion (at historical exchange rates) at an average cost of Libor less 34 basis points and with an average life of 7.4 years.

For 2007 the authorised local currency borrowing programme was €500 million. There were two new issuances during the third quarter raising €43 million. As at 30 September 2007 remaining borrowing capacity stood at €399 million.

At 30 September 2007 outstanding debt under the local currency borrowing programme stood at €469 million (at historical exchange rates) with an average life of 3.9 years.

6. Primary segment analysis

Business segments

For management purposes the business of the Bank is comprised primarily of Banking and Treasury operations. Banking activities represent investment in projects which, in accordance with the Agreement, are made for the purpose of assisting the countries of operations in their transition to a market economy, while applying sound banking principles. The main investment products are loans, share investments and guarantees. Treasury activities include raising debt finance, investing surplus liquidity, managing the Bank's foreign exchange and interest rate risks, and assisting clients in asset and liability management matters.

Primary reporting format - business segment

€ million	30 September 2007			30 September 2006		
	Banking € million	Treasury € million	Aggregated € million	Banking € million	Treasury € million	Aggregated € million
Interest income	438	505	943	382	383	765
Other income	1,363	9	1,372	724	21	745
Fair value movement on paid-in capital receivable and associated hedges	4	-	4	4	-	4
Total segment revenue	1,805	514	2,319	1,110	404	1,514
Less interest expenses and similar charges	(357)	(467)	(824)	(263)	(339)	(602)
Allocation of the return on capital	268	30	298	153	17	170
Fair value movement on non-qualifying hedges	-	(40)	(40)	-	2	2
Less general administrative expenses	(160)	(15)	(175)	(137)	(12)	(149)
Less depreciation and amortisation	(8)	-	(8)	(10)	(1)	(11)
Segment result before provisions	1,548	22	1,570	853	71	924
Provisions for impairment of loan investments	223	-	223	(1)	-	(1)
Net profit for the period	1,771	22	1,793	852	71	923
Segment assets	14,870	17,930	32,800	13,029	16,543	29,572
Paid-in capital receivable			115			209
Total assets			32,915			29,781
Segment liabilities						
Total liabilities	130	19,050	19,180	130	18,372	18,502
Capital expenditure	29	2	31	22	1	23

For the first nine months of 2007, the fair value movement on paid-in capital receivable and associated hedges amounted to €4 million (2006: €4 million) and the allocation of the return on capital amounted to €298 million (2006: €170 million). Together, these total €302 million (2006: €174 million), which is the Bank's return on net paid-in capital used in segmental results.

Interest expenses and similar charges and the allocation of the return on capital total €526 million (2006: €432 million). This is the Bank's "interest expenses and similar charges" as reported in the income statement.

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